



Indiana Deferred Compensation Committee

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MINUTES PUBLIC MEETING MARCH 24, 2005

2:35 PM

INDIANA GOVERNMENT CENTER SOUTH CONFERENCE 12

I. Call to Order

The meeting was called to order by Jeff Heinzmann.

II Roll Call

Ryan Kitchell, Jeff Heinzmann, Tim Berry, and Judy Rhodes were present. John Lentz was absent.

III. Custodial Agreements

Mary Beth Braitman discussed the custodial agreement issue with respect to the third party administrator transition from ING to Great-West. ING used a custodial account held by a captive company, while Great-West does not. The agreement is necessary to prevent the assets of the plan from being held in a Great-West general fund while in transition from payroll to individual participant accounts. The agreement acknowledges the establishment of an account with Wells Fargo for Hoosier START, keeping title to the assets at all times in the name of the plan and held for the exclusive benefit of plan participants as required by the Internal Revenue Code. The costs associated with the custodial agreement, which Great-West reports at approximately \$25,000 per year, are borne solely by Great-West and were factored into its bid on the third party administration contract awarded by the Administrator.

Judy Rhodes asked if the Wells Fargo account would be exclusive to Hoosier START. Mary Beth Braitman confirmed that it would be exclusive. It was further the only custodian bank that Great West deals with for this type of holding. At this point Marilyn Collister, legal counsel with Great West was brought into the meeting via telephone. She explained that Wells Fargo is used to ensure licensing from state to state and has excellent name recognition. They do have additional entity, Orchard Trust Co., LLC which is a Colorado trust, which they use primarily with plans located in the state of Colorado, but Wells Fargo is the better fit for the Hoosier START plan. The Committee having no more questions for Marilyn Collister, the telephone connection was ended.

Mary Beth Braitman distributed the proposed Acknowledgement of Custodial Account Through Wells Fargo Bank, N.A. (copy attached) to the Committee for review, as well as a resolution (copy attached) authorizing the Committee Secretary to take such additional action as is necessary to implement the resolutions and acknowledgements of the Committee and complete the administrative transition. Tim Berry requested that Mary Beth explain the resolution.

After review Ryan Kitchell asked who votes any proxies for the assets held by the plan. Mary Beth stated that, under the terms of the Investment Policy Statement, they are voted by the investment managers and received and dealt with by the Administrator. Tim Berry asked whether the custodial agreement covered the local as well as the state plan.

Judy Rhodes moved to approve the Acknowledgement of Custodial Account striking the word "it" from the second line to clarify that both the state and local plans were covered. Ryan Kitchell seconded and the Committee unanimously approved the motion. Committee then signed the Acknowledgement and the Resolution.

IV. Small Cap Value

Jeff Heinzmann explained that in 2005, Fidelity announced a unique closing of its Low-Priced Stock Fund to new individual investors in addition to new plans. Under this closing, Fidelity had allowed individual investors within the Hoosier START plans to continue contributing to the fund, but required it be closed to new investors.

The prior administrator, ING, had stated it could administer such a closing, but during the transition it was discovered that the fund was simply removed from enrollment materials, but that participants could still move in and out of the fund once they had enrolled. Tim Berry asked if this was an issue created by ING or by Fidelity. Jeff Heinzmann stated that everyone on Committee at that time and in the ING local Hoosier START office understood that it would be a hard close of the fund to individual participants, but would remain available to participants already investing in the fund but that during the transition. When, during the transition, Great-West stated it did not have the capability to monitor such a close, it became clear from ING's home office that they had only removed the fund from the enrollment materials and had not selectively closed the fund within the plan either.

Jeff Heinzmann suggested mapping participants' ongoing contributions from the Fidelity Low-Priced Stock Fund to the American Beacon Small Cap Value Fund, which the Committee added to the menu of investment options as an alternative small cap value fund when Fidelity closed the Low-Priced Stock Fund. Ryan Kitchell moved to authorize mapping ongoing Fidelity Low-Priced Stock Fund contributions to the American Beacon Small Cap Value Fund. Judy Rhodes second the motion. Committee approved motion unanimously.

V. Lifestyle Funds

Despite assurances from Fidelity to the contrary at the February Committee meeting, Fidelity determined that any of its funds that will impose redemption fees as of April 1,

2005, may not be included in the lifestyle portfolios offered by the plans. The two pieces of the lifestyle portfolios this affects are the Low-Priced Stock Fund and the Diversified International Fund.

Because the Committee had already selected the American Beacon Advisors Small Cap Value Fund, it was recommended that the Low-Priced Stock Fund simply be replaced with that fund within the lifestyles. Ryan Kitchell moved to map the Low-Priced Stock Fund portion of the lifestyle portfolios to the American Beacon Advisors Small Cap Value Fund. Judy Rhodes seconded the motion and the Committee passed the motion unanimously.

Regarding the Diversified International Fund, because there was no alternative fund in the same style, Jeff Heinzmann proposed to map participants into the Indiana Stable Value Fund pending selection of a suitable replacement. Although the Committee agreed that was a safe course of action, Ryan Kitchell expressed concern about such a move because it would change the overall character of the lifestyle portfolios making them all more conservative than what participants had originally selected. Gary Dankert stated that there are no specific guidelines for the underlying components of the lifestyle funds in the IPS. Jeff Heinzmann stated that the Committee's fund replacement resolution empowers the committee to move money to Indiana Stable Value Fund when no parallel options are available, but agreed with Ryan's point, as was the general consensus of the Committee, about changing the nature of the lifestyle portfolios.

The Committee discussed the option of moving the Diversified International portion of the lifestyle portfolios to the Vanguard Institutional Index, in order to more closely maintain the existing risk levels in the lifestyle portfolios. Jeff Heinzmann moved to map the Diversified International Fund portion of the lifestyle portfolios to the Vanguard Institutional Index. Ryan Kitchell seconded the motion and the Committee passed motion unanimously.

VI. Old Business

Tim Berry questioned if there was a conflict using Wells Fargo along with Mellon Consultants. Jeff Heinzmann stated he would look into any potential conflict.

VII. Adjournment

Upon no further business, Jeff Heinzmann adjourned the meeting.

**RESOLUTION OF THE INDIANA
DEFERRED COMPENSATION COMMITTEE**

WHEREAS, the Indiana Deferred Compensation Committee (the "Committee") is designated pursuant to Indiana Code 5-10-1.1 as Trustee of the state employees' deferred compensation plans; and

WHEREAS, the Auditor of State pursuant to Indiana Code 5-10-1.1-5 is designated as the administrator of the state employees' deferred compensation plans; and

WHEREAS, administration of plans requires use of a custodial arrangement; and

WHEREAS, the Committee has held a public hearing to discuss a proposed custodial agreement and the transition process;

NOW THEREFORE, IT IS HEREBY RESOLVED THAT:

1. The Committee approves the Acknowledgement of Custodial Account through Wells Fargo Bank, N.A. which shall be executed by the Committee on behalf of the State of Indiana Deferred Compensation Plan;

2. The Committee approves the Acknowledgement of Custodial Account through Wells Fargo Bank, N.A. which shall be executed by the Committee on behalf of the State of Indiana Deferred Compensation Matching Plan; and

3. The Secretary of the Committee is authorized to take such additional action as is necessary to implement these resolutions and acknowledgements and complete the administrative transition.

Approved this 24th day of March, 2005

IN WITNESS WHEREOF, the undersigned have executed this Resolution.

3/24/05
Date

March 24, 2005
Date

MARCH 24, 2005
Date

Date
3/24/05
Date

[Signature]
Ryan Kitchell, Member

[Signature]
Jeff Heinzmann, Member

[Signature]
Tim Berry, Member

John Lentz, Member
[Signature]
Judy Rhodes, Member